

SAN FRANCISCO MARINA ~ WEST HARBOR

Second Phase Funding: \$3,700,000
(Total Loan Amount: \$16,500,000)

SUMMARY

In FY 2004/05, the Boating and Waterways Commission approved a loan to the City and County of San Francisco (City/County) to improve the West Harbor at the San Francisco Marina. This report concerns second phase funding of \$3,700,000 for that loan. The loan is being phase-funded to better allocate Department of Boating and Waterways (DBW) resources.

The San Francisco Marina is located on the northern waterfront of the City of San Francisco in the Marina District. The marina is 1.5 miles east of the Golden Gate Bridge and is just west of Fort Mason. The marina also adjoins lands of the Golden Gate National Recreational Area.

The existing facility, originally constructed in 1963 (in its present configuration) by the City/County and funded by DBW, is composed of a total of two harbors, the West Harbor, and the East Harbor. The marina consists of 668 berths, parking lots, restrooms, a Harbor Office Building, two yacht clubs, a fuel facility, and yacht sales. The Marina Green, a major city park, is situated between the East and West Harbors.

The Boating and Waterways Commission has previously consented to loans (totaling \$3,840,000) to the City/County for improvements to the San Francisco Marina.

This loan covers: 1) demolition of existing berths and construction of reconfigured berths in the West Harbor, 2) upgrading electrical and water dock utilities, 3) installation of new barrier-free access gangways with security gates, 4) construction of a new breakwater, 5) replacement of revetment, 6) removal of mole, 7) dredging, and 8) improvement of buildings.

As shown in this report, it is expected that the requisite factors necessary to establish the project's financial feasibility will be met. There is adequate capital to finance the project, estimated revenues exceed estimated expenses, and there is adequate collateral for the proposed loan.

Phase III funding is anticipated in Fiscal Year 2006/07.

DBW loans are funded exclusively through the Harbors and Watercraft Revolving Fund. These funds are derived from the gasoline taxes paid by boaters in California and the repayment of loan principal and interest. No State General Fund dollars are used.

INTRODUCTION

In FY 2004/05, the Boating and Waterways Commission approved the first of five anticipated loans to the City and County of San Francisco to improve the West Harbor at the San Francisco Marina. This report concerns second phase funding of \$3,700,000 for that loan. First phase funding totaled \$1,500,000. The total loan amount is \$16,500,000.

The Draft Environmental Impact Report for this project was published in September 2005. Conceptual design is in the planning stage.

LOAN APPLICANT

The loan applicant for this project is the City and County of San Francisco (City/County). Under the purview of the City/County, the Recreation and Park Department (Department) administers and maintains more than 200 parks, playgrounds, and open spaces throughout the city. Also included in the Department's responsibilities are the Marina Yacht Harbor, Candlestick Park, the San Francisco Zoo, the Lake Merced Complex, recreation centers, golf courses, tennis courts, athletic fields, basketball courts and swimming pools.

PROJECT IDENTIFICATION

The proposed project entails improvements to the marina on the San Francisco Bay. The Project Area is the West Harbor at the San Francisco Marina.

The existing facility is composed of two harbors, the East Harbor, and the West Harbor. The East Harbor consists of 342 boat slips, two parking lots, a restroom, a fuel concession, yacht sales, and parkland. The West Harbor consists of 326 berths, four parking lots, restrooms, parkland, the Harbor Office Building, and the Saint Francis and Golden Gate Yacht Clubs. The Marina Green, a major city park, is situated between the East and West Harbors.

PROJECT LOCATION

The San Francisco Marina is located in the Marina District, on the northern waterfront of the City of San Francisco. The marina is one and one-half miles east of the Golden Gate Bridge, and adjoins lands of the Golden Gate National Recreational Area on both its east and the west boundaries.



ACCESS TO PROJECT

To get to the San Francisco Marina, from the Golden Gate Bridge take Highway 101 south to the Marina Boulevard exit. Continue on Marina Boulevard to Scott Street and turn left. Scott Street dead ends at the harbormaster's office.

AREA DESCRIPTION

San Francisco Bay is a major recreational resource for boaters from all over Northern California, many of whom berth their boats in marinas on the Bay. Due largely to the moderate climate in the area, recreational boating activity occurs throughout the year. Increasing demand for berthing facilities in the area, together with limited availability and the high cost of suitable waterfront sites, has led established marinas to operate at near-full capacity and newer facilities to experience a steady lease-up to full occupancy. There are currently 498 persons on the waiting list for berths at the San Francisco Marina.

PREVIOUS COMMISSION ACTION

The Boating and Waterways Commission previously consented to the following loans(s) for the construction of and/or improvements to the San Francisco Marina:

In FY 1961/62, the Commission approved a \$1,500,000 loan for the construction of berthing facilities in the East Harbor, and the renovation of berths in the West Harbor, the construction of a breakwater in the East Harbor, dredging, channel widening in the West Harbor, renovation of the harbormaster's office in the West Harbor, the construction of restrooms, the addition of dock and land utilities, and the construction of walkways. The City/County of San Francisco financed the reconstruction of the existing seawall in the West Harbor, the construction of parking areas for 1,346 cars for both harbors, repaving the roadway on the existing breakwater in the West Harbor, and landscaping at both harbors.

In FY 1974/75, the Commission approved a \$600,000 phase I loan, and in FY 1975/76, the Commission approved a \$140,000 phase II loan for the rehabilitation of the berths in the East and West Harbors, rehabilitation of the seawall in the West Harbor, and expansion of the harbormaster's office.

In FY 1988/89 the Commission approved a \$100,000 emergency loan to repair damage caused by storms in December 1988.

In FY 2004/05 the Commission approved a \$1,500,000 phase I loan for the project that is the subject of this current feasibility report.

ENGINEERING CONSIDERATIONS

INTRODUCTION

Before a project is submitted to the Governor for inclusion in the budget, Department of Boating and Waterways (DBW) staff reviews both the site and the application to verify that the proposed project will meet DBW standards when completed. Planning personnel visit the site and discuss project layout and components with the applicant. After an application is received DBW engineers review the project proposal. DBW's engineering review includes an analysis of site use, review of project components, and verification of estimated costs. Only after it is determined that the proposed project meets DBW standards and the preliminary cost estimate is verified is the project included in the budget.

Once a proposed project is approved by the DBW Commission, plans and specifications will be finalized and a final cost estimate will be determined for this project. If the final cost estimate exceeds the preliminary cost estimate the borrower has a number of options. It may either find additional funds elsewhere, alter or scale down the project, apply for additional funding, or discontinue the project. Any scope change or increase in cost to DBW requires additional Commission consideration. If the borrower discontinues the project any DBW funds expended by the borrower must be returned to DBW.

PROPOSED PROJECT

The proposed San Francisco Marina project entails: 1) demolition of existing berths and construction of reconfigured berths in the West Harbor with the total number of berths being reduced by one (326 to 325) (reconfiguration is outlined in the berth size distribution table on page 7), 2) upgrading electrical and water dock utilities, 3) installation of new barrier-free access 200' long aluminum gangways with security gates, 4) construction of a new 200' long rock or sheetpile breakwater, 5) replacement of revetment, 6) mole removal to accomodate new marina design, 7) dredging under the berths, 8) renovation of the existing limited-space harbormasters office in the West Harbor for use as a marina tenant restroom facility, and renovation of the larger degaussing station, located between the two harbors, for use as a harbormasters office.

In addition, the City/County will be applying for a vessel pumpout grant from DBW.

COST ESTIMATE

<u>PROJECT ITEM - WEST HARBOR</u>		
Berths	\$	8,023,000
Utilities		124,000
Gangways		373,000
Breakwater		1,352,000
Revetment Repair		590,000
Mole Removal		702,000
Dredging		498,000
Building Improvements		<u>560,000</u>
SUBTOTAL	\$	12,222,000
Contingency		1,222,000
Engineering/Permits/Inspection		<u>3,056,000</u>
TOTAL	\$	16,500,000

CONCLUSION

There are no particularly difficult or unusual problems associated with this project. It is therefore considered feasible, from an engineering standpoint, at an estimated construction cost of \$16,500,000.

ECONOMIC ANALYSIS

INTRODUCTION

In addition to an engineering review, each loan project must meet DBW's economic feasibility requirements before it is submitted to the Boating and Waterways Commission for consideration. Economic feasibility is determined by three main factors: (1) the borrower demonstrates that adequate capital is available to finance the project to completion; (2) the borrower demonstrates that Project Area revenues will be sufficient to operate and maintain the Project Area, including the repayment of any debt; and (3) the borrower proposes adequate collateral for the loan.

CAPITAL

Total cost of the San Francisco Marina West Harbor improvement project is expected to be \$16,500,000. The City/County will use DBW loan proceeds to finance these costs. There is, therefore, sufficient capital to construct the facilities to completion.

TABLE 1
SAN FRANCISCO MARINA
Annual Cash Flow Projections
(in 000's)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
REVENUE										
Berths ¹	1,599	1,866	1,999	1,974	2,044	3,393	3,495	3,676	3,786	3,899
Guest Berths	46	52	58	20	22	88	92	94	97	100
Concessions	170	270	270	270	270	270	270	270	270	270
Fees/Permits	100	100	100	100	100	100	100	100	100	100
Dry Storage						56	58	60	62	64
TOTAL REVENUE	1,915	2,288	2,427	2,364	2,436	3,907	4,015	4,200	4,315	4,433
OPERATING EXPENSES²	2,127	2,204	2,290	2,373	2,461	2,518	2,602	2,689	2,779	2,862
RESERVES³		350		47	49	78	80	84	86	79
DBW LOAN⁴						970	970	970	970	970
OTHER DEBT	12	12	12							
TOTAL EXPENSES	2,139	2,566	2,302	2,420	2,510	3,566	3,652	3,743	3,835	3,911
NET REVENUE	-224	-278	125	-56	-74	-145	363	457	480	522
INTEREST INCOME	39	31	17	17	15	4	7	9	12	16
PREVIOUS SURPLUS	1,263	1,078	831	973	934	875	734	1,104	1,570	2,061
ANNUAL SURPLUS	1,078	831	973	934	875	734	1,104	1,570	2,061	2,599

1) Berthing rates in the West Harbor will range from \$5.92 to 7.60 per linear foot in FY 2005/06, with rates increasing by 20 percent in FY 2006/07, by four percent in FY's 2007/08, 2008/09, and 2009/10, and increasing by 3% annually thereafter; berthing rates in the East Harbor will range from \$5.77 to \$7.26 per linear foot in FY 2005/06, with rates increasing by 12 percent in FY's 2006/07, 2007/08, and 2008/09, and increasing 3% annually thereafter. Assume 97% occupancy for both harbors in FY 2004/05 through FY 2007/08. Assume 90% occupancy during construction in FY 2008/09 through FY 2009/10. Assume 95% occupancy in first two years following construction, with 97% occupancy thereafter. (These occupancy number are conservative. The San Francisco Marina reports that their occupancy has been at 98% for over ten years, with a 498 person waiting list.)

2) Operating expenses include Capital Improvements for the East Harbor starting in FY 2005/06 @ \$300,000 and increasing @ 5 percent per year.

3) Reserve set aside for extraordinary maintenance - estimated as 2% of monthly gross operating revenues. The \$350,000 allocated in FY 2006/07 is projected for dredging in the East Harbor and to cover any shortfalls in the annual surplus.

4) Proposed \$16,500,000 Boating and Waterways loan @ 4.5 % (\$11,000,000 for revenue producing project items for 30 years and \$5,500,000 for non-revenue producing project items for 50 years).

REVENUES AND EXPENSES

A project's financial feasibility also depends on whether there will be sufficient revenue to pay for project expenses on an annual basis, including the repayment of the proposed DBW loan. The estimated revenues, expenses, and debt service (see Table 1) are as follows:

REVENUES

Revenues to repay the DBW loan will be generated from marina revenues. Annual gross income from the East Harbor and the West Harbor is estimated at \$3,907,000 in FY 2010/11, when full payment begins. Previous year's annual surplus revenues will be applied to offset any shortfalls in meeting debt service, set aside in a dedicated account (see Table 1).

EXPENSES

DBW estimates the annual debt service on the proposed total loan amount of \$16,500,000 to be \$970,000 commencing on 8/1/10, with full payment. Total expenses are estimated to be \$3,566,000 in FY 2010/11. A breakdown of revenues and expenses for the San Francisco Marina are shown in Table 1.

COLLATERAL

Primary collateral for the proposed loan will consist of a lease/leaseback of the marina (between DBW and the City/County) with an assignment of rents and leases on marina revenues. In addition, DBW will receive a first lien position on the Marina Fund surplus revenues (estimated to be \$1,400,000 in FY 2005/06) to cover any payment shortfall after construction completion. By City/County statute, all money generated in the marina stays in the marina fund for marina expenses including loan repayment. Any unused funds remain in the Marina Fund as reserves and can only be used for marina

SAN FRANCISCO MARINA		
Existing and Proposed Berth Size Distribution		
	West Harbor	
Berth Size	Existing	Proposed
20	19	0
25	65	8
30	71	34
35	24	46
40	75	108
45	24	53
50	17	39
60	26	24
70	0	4
80	1	4
90	4	5
Total # of Berths	326	325
Total LF	40,296	38,799

expenditures and or repayment of loans for those expenditures. DBW may release this lien after marina revenues have stabilized and the marina debt coverage ratio is above 125 percent for an agreed-upon time period. Proposed collateral is sufficient to cover DBW's collateral requirements.

RESERVES

An annual maintenance and dredging reserve account in the amount of two percent of annual gross revenues will be established by the City/County to cover required maintenance and dredging (see Table 1).

FINANCIAL CONSIDERATIONS

The completed project will be open to all on an equal and reasonable basis. The City/County Board of Supervisors have approved the following berthing rates: Berthing rates in the West Harbor will range from \$5.92 to 7.60 per



linear foot in FY 2005/06, with rates increasing by 20 percent in FY 2006/07, by four percent in FY's 2007/08, 2008/09, and 2009/10, and increasing by 3% annually thereafter; berthing rates in the East Harbor will range from \$5.77 to \$7.26 per linear foot in FY 2005/06, with rates increasing by 12 percent in FY's 2006/07, 2007/08, and 2008/09, and increasing 3% annually thereafter.

A proposed berthing rate increase of 37 percent is scheduled for both harbors in FY 2010/11.

CONCLUSION

This project is being recommended because both marinas are approximately 40 years old and in need of refurbishment. The West Harbor will be reconfigured with berth sizes and features more reflective of current market demand.

RECOMMENDATION

In view of the foregoing demonstration of the project's engineering and financial feasibility, staff recommends that the Boating and Waterways Commission consent to second phase loan funding (totaling \$3,700,000) of the \$16,500,000 loan to the City and County of San Francisco for improvements to the San Francisco Marina.

San Francisco Marina ~ West Harbor

